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CHARACTER AND VOLUME OF THE MONEY OF THE UNITED STATES.

By Maurice L. Muhleman.

The accompanying statistics, relating to the monetary stock of the United States, its character, volume, and movement, are presented for the purpose of reviewing the movement since the silver legislation of 1878, and directing attention to certain facts, shown by the movement, bearing upon the currency question in general. Furthermore, the presentation in this form may afford additional material for the further prosecution of the inquiry into the operation of the law governing the demand and supply of currency (particularly with reference to the smaller denominations), which, at this time, is a subject of the first importance, bearing, as it does, upon the question how much silver can be absorbed into our circulation.

Omitting from consideration the minor coinage (of nickel and bronze), we have to deal with nine species of "money," of which three are metallic and six paper.

I. Gold Coin (including bullion in the Treasury not yet coined).
II. Silver Dollars, coined at the ratio of 15.988 (say 16) to 1 of gold.
III. Subsidiary Silver Coin, coined at the ratio of 15½ to 1 of gold.
IV. Gold Certificates, issued upon specific deposits of gold coin.
V. Silver certificates, issued upon specific deposits of silver dollars.
VI. United States Notes, issued on the credit of the Government, but since 1879 always redeemable in gold coin on demand.
VII. Currency Certificates, issued, in large denominations only, upon specific deposits of United States notes.
VIII. Treasury Notes of 1890, issued on the credit of the Government to pay for monthly bullion purchases.
IX. National Bank Notes, issued by banks upon deposits of bonds in the Treasury.

Of the above, Gold Coin, Silver Dollars, United States Notes and Treasury Notes of 1890, are legal tenders for any amount; Subsidiary Silver Coin to the extent of ten dollars. Gold Certificates and Silver Certificates are not legal tenders, but are receivable for all Government purposes. Currency Certificates and National Bank Notes are not legal tenders, but the latter are receivable for public dues, with the exception of duties on imports and interest on the public debt.

With the exception of National Bank Notes and Subsidiary Silver Coin, all of the kinds of money enumerated are available for the reserves of national banks.

The first table shows the amount belonging to the Treasury and that on deposit only for which certificates are in circulation; the second table shows the amount of each kind of money composing the entire stock; the third and fourth, composition of the money in circulation and that in the Treasury, respectively; the fifth gives the effective circulation, arrived at by deducting from the aggregate stock the amount deposited in the Treasury against which certificates are in circulation, and which is duplicated in the official reports of the entire stock; also the *per capita* of the entire circulation owned by the Treasury and effective circulation.

The four following tables show the denominations of several issues of paper money and proportion of small notes (from $1 to $20, inclusive), and the large.

The tenth table gives an approximate estimate of the "retail money," made up of the small notes, silver dollars, and subsidiary coin in circulation; the amount of the *per capita*, and the relation the amounts bear to the total effective circulation. Furthermore, there is given a tentative estimate of the gold coin in circulation.

The final table shows the bonded debt, the production and movement of gold and silver.

The movement in the monetary stock, as shown by the tables, was, for the period, as follows: —

End of Fiscal Year.	Entire Stock.	Metal.	Paper.	In Circu- tion.	In the Treasury.	Belonging to Treasury.	On Deposit Only.
1878	1,064*	301	763	807	257	164	93
1886	1,823	903	920	1,249	574	309	265
1893	2,317	1,207	1,110	1,594	723	139	584

It appears, therefore, that the aggregate stock increased more than 117 per cent, while the population, estimated at 48 millions in 1878, and at 67 millions in 1893, shows an increase of only 37½ per cent. The amount in circulation, however, increased something less than 100 per cent; and if we consider only the effective stock, which in 1878 was (807 + 164) 971 millions, and in 1893 (1594 + 139), 1733 millions, the proportion of increase was only about 68 per cent. The money in the Treasury, and belonging to it, being used in its daily transactions, is here properly included as effective circulation.

Examination of the character of the increase shows that it has been chiefly in gold and silver and the representative paper issues (including the Treasury notes issued for bullion), the only decrease having been in the national bank notes.

The gold stock appears to have increased 379 millions, of which 319 millions is in the amount supposed to be in circulation. This estimate of the gold stock has been questioned by many writers, and by the more conservative is believed to be fully 100 millions less than represented by the official statistics. If, then, the effective circulation be reduced by reducing the gold coin estimated as in circulation, it seems probable that the effective circulation is not much above 1600 millions, which would indicate an increase of about 65 per cent since 1878.

The amount *per capita* for 1878 appears to have been about $20.23 of effective circulation, and for 1893 about $25.86; the amount in actual circulation appears to have been $16.81 in 1878, and $23.79 in 1893, after making the deduction in gold coin the net circulation was $16.25 and $22.12, and the net effective stock $19.67 and $24.19, respectively. In the table exhibiting this feature a tendency to a *per capita* of about $21 seems to impress itself on the observer. The years from 1886 to 1888, during which the surplus in the Treasury rose to very high figures, curtailing somewhat the circulation performing the active work, show the deviation to a lower, followed by a higher, ratio; it was during the beginning of this period that the silver stock of the Treasury (and therefore of the country) appears to have been relatively redundant. But the issue of small silver notes authorized in 1886, and coming into use the following years, relieved the situation of the threatened peril of such a surplus.

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* **The figures represent millions of dollars.**

Turning now to the tables showing the denominations of the paper issues we find the following changes: — *

End of Fiscal Year.	1's and 2's.	5's.	10's.	20's.	Total Small.	50's and 100's.	Large.	Total Large.
1878	49	149	169	130	497	110	156	266
1886	36	169	218	185	608	140	173	313
1893	71	244	299	230	844	119	147	266

It is evident that in 1886 the supply of small notes was not only relatively (to the large) but also absolutely insufficient; and here is where the demand for the further issue of 1's, 2's, and 5's (finally granted after a vain attempt to force into circulation the silver dollars) made itself felt. Even now (before the abnormal stringency of July and August of the present year) the demand for the four minor denominations is not satisfied, and certainly 50 millions, possibly much more, could be added to the present stock of these denominations.

From the tables it is evident that fully 75 per cent of the paper circulation has been, in normal years, in these smaller denominations; and that 85 per cent, constituting nearly 60 per cent of the total effective money, might be in such notes. This, it will be observed, is entirely without considering the gold coin (which is all in small denominations), or the silver actually outside of the Treasury.

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* The figures represent millions of dollars.

In the following table the "retail money," composed of the small notes, plus the silver dollars and subsidiary coins in circulation, is shown. These forms of money have increased as follows: —*

Fiscal Year.	Gold Certificates.	Silver Certificates.	U. S. Notes.	Treasury Notes.	National Bank Notes.	Silver Dollars.	Subsidiary Coin.	Total.
1878	..	...	224	...	273	1	65	563
1886	12	95	243	...	258	53	46	707
1893	9	296	261	127	151	57	65	966

The amount of retail money *per capita* was, in 1878, $11.74; in 1886, $12.40; and, in 1893, $14.42.

The amounts of the large denominations, which may, for convenience in distinguishing, be termed "wholesale" or "banking" money, were composed, as will be observed by reference to the tables, chiefly of Gold Certificates and United States Notes, and the Certificates issued upon deposits of the latter; Silver Certificates and National Bank Notes have long ago ceased to play an important part in the larger transactions.

The experience of 1886, and the satisfactory remedy then applied, would appear to indicate a means by which the silver stock (now feared by so many as a destructive element), constituting as it does, directly and indirectly, about one-third of our effective circulation, could be readily absorbed, provided its acquisition be suspended, as appears probable will be done before long. In other words, our "retail money" could with perfect safety be composed of silver paper issues; the only remaining elements of the problem being (1) to arrive at a satisfactory figure of the *per capita* requirements of the country; (2) to provide for the ready absorption of the surplus of such notes, which regularly presents itself, particularly in the city of New York, when the active business operations, resulting from the periodical crop movements, have been performed.

From January to June of each year the steady current of small notes from the West to the East, interrupted for only a very short period in March, threatens to swamp the capacity of the banks in that city and of the Treasury to absorb; useless for the time being in the West, they become a positive burden in the East, until again needed for the crop movement, beginning usually about August 1st.

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* The figures represent millions of dollars.

If the persistent recurrence in years of normal business of the amount of $21 *per capita* indicates the currency need, and if the retail requirement represents more than half of the circulation, have we not perhaps a key to the determination of the questions of volume? and with that of the absorption of our silver stock?

If in the past few years the supply of money has been redundant, as may be reasonably inferred from our losses of gold, is it not, nevertheless, probable that if we had had only the allotted amount, our silver would not have caused the gold loss? In other words, if we had had only the proportion of silver called for by our normal needs, would a loss of gold have been properly attributable to silver?

It would then remain only to provide a convenient and satisfactory form of "bank money" into which the "retail money" could be converted to provide for the annual ebb and flow of small notes.

It is to be hoped that wise legislation may ere long bring about greater homogeneity, as well as security, in our currency system.

The accompanying tables, abstracted from the others, illustrate the principal points.

I. TABLE SHOWING THE ENTIRE STOCK, ITS COMPOSITION AND DISTRIBUTION.

Fiscal Year Ending June 30.	The Entire Stock.										In the Treasury.		In Circulation.	Deduct for Over-Estimate of Gold.	Net in Circulation.	Net Effective Circulation.	*Per Capita.*	
	Gold Coin and Bullion.	Silver Dollars and Bullion.	Subsidiary Silver Coin.	Gold Certificates.	Silver Certificates.	United States Notes.	Treasury Notes of 1890.	National Bank Notes.	Currency Certificates.	Total.	On Deposit Only.	Owned by Treasury.					Of Net Circulation.	Of Net Effective.
1878	213	16	72	44	2	347	....	325	47	1,064	93	164	807	27	780	944	$16.25	$19.67
1879	246	41	76	15	3	347	....	329	31	1,088	49	215	824	35	789	1,004	16.10	20.49
1880	352	69	79	8	12	347	....	344	14	1,225	35	212	978	43	935	1,147	18.70	22.94
1881	478	95	80	6	51	347	....	354	12	1,423	69	235	1,119	52	1,067	1,302	20.92	25.53
1882	507	122	80	5	67	347	....	357	13	1,498	85	235	1,178	63	1,115	1,356	21.44	25.96
1883	543	152	81	82	89	347	....	356	13	1,663	184	242	1,236	76	1,160	1,402	21.48	25.96
1884	545	179	75	98	121	347	....	339	12	1,716	231	243	1,242	82	1,160	1,403	21.09	25.51
1885	589	208	75	140	140	347	....	317	29	1,845	310	245	1,290	89	1,201	1,446	21.44	25.82
1886	591	237	75	131	116	347	....	308	18	1,823	265	309	1,249	91	1,158	1,467	20.32	25.74
1887	655	278	75	121	146	347	....	279	9	1,910	276	317	1,317	96	1,221	1,538	20.70	26.07
1888	706	310	76	142	229	347	....	252	15	2,077	386	319	1,372	100	1,272	1,591	20.20	26.52
1889	680	344	76	154	263	347	....	211	17	2,092	434	278	1,380	104	1,276	1,554	20.91	25 47
1890	695	380	77	157	302	347	....	186	12	2,156	471	256	1,429	107	1,322	1,578	20.99	25.05
1891	647	437	78	152	314	347	50	167	24	2,216	540	177	1,499	109	1,390	1,567	21.72	24.49
1892	664	491	77	157	332	347	101	172	30	2,371	620	148	1,603	109	1,494	1.642	22.64	24.88
1893	592	538	77	94	331	347	147	179	12	2,317	584	139	1,594	112	1,482	1,621	22.12	24.19

NOTE.—Amounts are always given in the nearest millions of dollars.

II. TABLE SHOWING "RETAIL MONEY," ITS COMPOSITION AND AMOUNT *PER CAPITA*.

Fiscal Year Ending June 30.	Large Denominations of Paper.	Small Denominations of Paper.				Composition of Small Denominations.					Total Small Denominations.	*Per Capita* of Small.	Silver Dollars in Circulation.	Subsidiary Silver in Circulation.	Total Silver Coin.	*Per Capita* of Silver.	Total Retail Money.	*Per Capita*.
		1's and 2's.	5's.	10's.	20's.	Gold Certificates.	Silver Certificates.	United States Notes.	Treasury Notes of 1890.	National Bank Notes.								
1878	266	49	149	169	131	....	....	224	....	273	497	$10.36	1	65	66	$1.38	563	$11.74
1879	230	43	150	171	131	....	....	215	....	280	495	10.10	8	67	75	1.53	570	11.63
1880	175	45	166	191	149	....	4	253	....	293	550	11.00	19	55	74	1.48	624	12.48
1881	167	48	169	216	169	....	38	264	....	301	603	11.82	29	53	82	1.61	685	13.43
1882	173	52	165	223	176	....	54	259	....	303	616	11.84	32	52	84	1.62	700	13.46
1883	248	54	165	230	190	9	72	260	....	298	639	11.83	35	52	87	1.61	726	13.44
1884	272	52	163	230	200	13	96	254	....	282	645	11.73	40	46	86	1.56	731	13.29
1885	349	51	157	221	195	12	104	246	....	262	624	11.14	38	44	82	1.46	706	12.60
1886	313	36	169	218	185	12	95	243	....	258	608	10.66	53	46	99	1.74	707	12.40
1887	263	41	181	226	191	11	135	257	....	236	640	10 85	55	49	104	1.76	744	12.61
1888	275	55	205	248	201	13	221	262	....	214	710	11.83	56	50	106	1.77	816	13.60
1889	301	55	203	242	191	11	256	245	....	179	691	11.33	54	51	105	1.72	796	13.05
1890	276	60	212	261	195	12	293	266	....	157	728	11.55	56	54	110	1.75	838	13.30
1891	290	61	225	272	206	14	297	274	37	142	764	11.94	58	58	116	1.81	880	13.75
1892	326	65	237	288	222	12	302	274	79	146	813	12.32	57	62	119	1.80	932	14.12
1893	266	71	244	299	230	9	296	261	127	151	844	12.60	57	65	122	1.82	966	14.42

NOTE.—Amounts are always given in the nearest millions of dollars.